

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 8082

BILL NUMBER: HB 2042

DATE PREPARED: Mar 23, 2001

BILL AMENDED: Mar 22, 2001

SUBJECT: Abandoned oil and gas wells.

FISCAL ANALYST: Bernadette Bartlett

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FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: (Amended) This bill authorizes the establishment of a program that would permit a person who voluntarily remediates certain gas and oil wells to recover certain costs from the Oil and Gas Environmental Fund. The bill expands the sources of money for the fund. It also authorizes the Natural Resources Commission to dispose of oil and gas well equipment or crude oil recovered at an abandoned well and to use any proceeds to offset costs incurred by the Commission in plugging and abandoning the well. This bill terminates certain bonds and requires the purchase of replacement bonds.

Effective Date: July 1, 2001.

Explanation of State Expenditures: (Revised) Allowing persons who voluntarily remediate certain oil and gas wells to recover certain costs from the Oil and Gas Environmental Fund may result in more demand on the fund. As of 6/30/2000, the fund had a balance of \$74,325. The specific impact on the fund is indeterminable and will depend on the number and nature of requests to recover costs.

The Director of the Department of Natural Resources may establish a program to reimburse applicants for expenses. This provision may result in additional administrative expenses for the DNR; however, the Department would probably be able to absorb any additional costs given its current budget.

The Natural Resources Commission may dispose of oil and gas well equipment or crude oil recovered at an abandoned well and use any proceeds to offset costs. The impact of this provision will depend on action taken by the Commission.

Explanation of State Revenues: (Revised) The bill provides that the Oil and Gas Environmental Fund may receive gifts, grants, donations, or appropriations from any source which may result in additional revenue to the fund. The impact is indeterminable.

The bill also provides that bonds filed prior to January 2, 2002, must be replaced by blanket bonds of \$30,000. Currently about 49 operators have filed bonds of \$5,000. An estimated 16 will replace the \$5,000 bonds with \$30,000 bonds. This increase will result in an additional \$235,000 being available in case of forfeiture. The 16 operators who will file a \$30,000 bond will generate \$400,000 (an additional \$25,000 per operator multiplied by 16). From this total, those no longer filing will result in a decrease of \$165,000 (\$5,000 multiplied by 33). The net impact would be an increase of \$235,000 (\$400,000 minus \$165,000).

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of Natural Resources.

Local Agencies Affected:

Information Sources: Jim Amrhein, Enforcement Manager, Oil and Gas Division, DNR (317) 232-26961; Auditor of State, Revenue Trial Balance.